

## **2020/21 QUARTER 1 BUDGET MONITORING UPDATE**

Report of the Corporate Director – Corporate and Support Services and Cabinet  
Member for Resources, Commissioning & Governance.

### **1. INTRODUCTION AND BACKGROUND**

- 1.1 The purpose of the report is to provide a summary of the Quarter 1 revenue forecast outturn incorporating the business as usual forecast with an update on the financial impact of COVID19 reported previously in the COVID19 Financial Impact and Response Update report to CRMG on 14 July 2020. The report also provides an update on the Dedicated Schools Grant, Housing Revenue Account (HRA), Collection Fund and updates to the Capital Programme.
- 1.2 Portfolio and Performance Resource Reports (PPRRs) will be presented to scrutiny committees in September. These reports will provide the in-year budget monitoring position and an update on the financial impact of COVID19 on each Portfolio. These reports will also take account of budget adjustments approved in this report.
- 1.3 Quarter 2 PPRRs and Corporate Performance and Resources Report (CPRR) will be reported to scrutiny committees and Cabinet in December.

### **2. COVID19 FINANCIAL IMPACT**

- 2.1 The financial challenge presented by the impact of the COVID19 pandemic is unprecedented. The Council continues to assess and refine the forecasts on a regular basis as part of the monthly financial impact return to Government. Whilst the Quarter 1 forecast position presented in this report is based on the best available data and information of the expected financial impact of the pandemic, the financial landscape is increasingly uncertain, complex and incredibly volatile. This presents an element of financial risk within the forecasts which will be monitored closely during the financial year. It should also be noted that the forecast position currently assumes no further national or local lockdowns.
- 2.2 At Quarter 1, the forecast outturn of the Cash Limit and Non-Cash Limit budgets is £10.407m deficit net of Government COVID19 financial support received to date. However, the position would have been worse if not for offsetting reductions in expenditure within the Council's budget forecast of circa £3.666m. This equates to an adverse in-year financial impact on the Council's financial position of £14.073m due to COVID19.
- 2.3 Whilst noting the significance of the challenge this position causes, the Quarter 1 forecast indicates a slightly more favourable financial position than expected at the time of completing the Government Delta Return (reported to CRMG on 14 July). This is part due to more accurate information at Quarter 1 recognising anticipated reduction in expenditure in some services due to COVID19, more favourable position of some savings achievement, the impact of the NHS funded hospital discharge programme and potential additional funding from the GMCA. In addition, the Collection Fund deficit is not included in the in-year financial position as the legislation that covers the Collection Fund accounting means this will be realised

and need to be reimbursed over the next three financial years 2021/22 to 2023/24. The Collection Fund Quarter 1 position shows a forecast deficit of £10.158m (after the Section 31 Grants for extended retail and nursery reliefs). Paragraph 3.43 to 3.45 provides more detail on the 2020/21 Collection Fund position.

2.4 The Council continues to work alongside other Greater Manchester (GM) Authorities to assess the COVID19 financial impact across GM and continuing to lobby for further support from Government. Whilst the Quarter 1 position presented in this report highlights the significant impact in- year, there is a recognition across GM that the financial legacy of the pandemic will go beyond 2020/21. This impact is expected to be felt in the following areas:

- Reduced Council Tax Taxbase and lower levels of growth;
- Reduced Business Rates Taxbase and lower future growth;
- Suppressed levels of income from a variety of sources;
- Increased demands on social care, public health and other budgets;
- Increased cost of ensuring financially stable social care market;
- Impact of social distancing on efficiency and capacity of council services; and
- Impact on the Council's Capital Programme, regeneration plans and employment.

2.5 Whilst recognising the financial challenge ahead, it is important to recognise the Council's financial response to date and what has been put in place to continue with this response and support the Borough's and GM's recovery plans in 2020/21 and over the medium term period.

- At the time of writing the Council had issued circa £60m of grants to businesses across the two Government schemes. This has ensured support has reached circa 90% of eligible businesses. Work is continuing to identify the remaining businesses which have a number of complexities which are being worked through with the business and/or the Valuation Office;
- The Council is in the fourth phase of its Discretionary Business Grants scheme supporting those businesses that fall outside of the two Government schemes above (i.e. businesses who share a building). At the time of writing, the scheme has provided circa £0.750m of support to eligible businesses;
- Residents in receipt of working age Local Council Tax Scheme Support (LCTS) have had their 2020/21 Council Tax bill reduced by a maximum of £150 in line with the Government's allocation of the Council Tax Hardship Grant. In addition, the funding has been used to provide additional funding to the Council's discretionary hardship support fund and humanitarian aid;
- Continuing to provide support to suppliers in line with the Government's Procurement Policy Notices (PPN). This has ensured continued support of those suppliers considered to be critical and/or at risk in terms of the Council's business continuity and supplier retention. This includes support provided to Adult Social Care suppliers and providers to ensure the continuity of the service during the pandemic and supporting the compliance with infection control;
- The development of a programme of work to respond to the expected demand for support linked to financial inclusion and to support the financial resilience of our communities, working alongside key partners to do this; and
- The development of programmes of work linked to the Economic Resilience working group, Build Back Better and One Stockport to mitigate any impact.

This will be important as the Council will need to play a key role in the economic and financial recovery of the Borough and GM alongside other GM Authorities and its partners.

### 3. REVENUE BUDGET

3.1 This section of the report sets out the Quarter 1 Revenue forecast outturn position. It includes:

- Details of the revenue budget adjustments made since the budget was approved at the Council meeting on 27 February 2020;
- A summary of the revenue budget and forecast outturn position for the Council; and
- Details of the revenue forecast outturn position with regard to Cash Limit budgets, Non-Cash Limit budget, Dedicated Schools Grant (DSG) and the Housing Revenue Account (HRA).

#### Revenue Budget Adjustments

3.2 The following table summarises the changes to the revenue budget that have arisen during the first quarter of 2020/21.

#### **2020/21 Revised Budget as at 30 June 2020**

	<b>Approved Budget £000</b>	<b>Revised Budget 30/06/20 £000</b>	<b>Increase (Reduction)* £000</b>
Cash Limit	185,311	186,642	1,331
Non-Cash Limit	62,082	61,203	(879)
<b>Total</b>	<b>247,393</b>	<b>247,845</b>	<b>452</b>

*\*£0.120m relates to a permanent virement approved as part of the 2019/20 Quarter 4 CPRR annual report.*

3.3 The original revenue budget set in February has been updated to reflect the additional Public Health Grant allocation (£0.452m) announced after the budget was set. The grant is accounted for within the Business Rates Retention Scheme and therefore is part of the revenue financing resources. An adjustment has been made to increase the resources and a corresponding increase to the Cash Limit budget within the Adult Care and Health Portfolio resulting in the net revenue budget increasing to £247.845m.

3.4 In addition, there has been an allocation of corporate contingency budgets of £0.759m at Quarter 1, which were earmarked in the Medium Term Financial Plan (MTFP) to support inflationary cost increases which have now been realised.

3.5 A breakdown of the virements during the quarter are shown in the table below. The revised budget by Portfolio is shown in Appendix 1.

### **Virements Presented for Approval by Cabinet**

<b>Item</b>	<b>Type*</b>	<b>Amount £000</b>	<b>From</b>	<b>To</b>	<b>P/T**</b>
Allocation of contingency budgets for inflation	V	759	NCL	VAR	P
Additional allocation of Public Health Grant	V	452	#	A&H	P
Aligning DbD savings for new ASC system	V	77	A&H	RCG	P
Corporate Complaints Officer re-alignment	BR	51	RCG	CFE	P
Restructure of Mgt. of Fostering Team	BR	17	CFS&E	CFE	P
Aligning DbD savings for Registrars / Contact Centre	BR	7	CFE	RCG	P

\* V=Virement meaning the transfer of budget from one service area to another

\* BR = Budget re-alignment meaning the transfer of budget and activity from one service area to another

\*\* P = Permanent and T = Temporary

# = Revenue Budget Control Total

DbD=Digital by Design

### **2020/21 Quarter 1 Revenue Forecast Outturn Position**

- 3.6 The Quarter 1 forecast outturn position for Cash Limit and Non-Cash Limit budgets is a deficit of £29.166m. This is partly offset by the COVID19 unringfenced grants received from Government of £18.759m (this includes £2.431m of support funding allocated to the Council as part of the Government's third tranche of support funding), reducing the Council's revenue budget deficit to £10.407m as set out in the table below:

## 2020/21 Forecast Revenue Outturn as at 30 June 2020

Portfolio	Original Budget £000	Revised Budget £000	Forecast Outturn £000	(Surplus)/ Deficit £000
Adult Care and Health	93,798	94,173	101,270	7,097
Children, Family Services and Education	40,994	40,977	41,892	915
Citizen Focus and Engagement	4,780	4,841	5,697	856
Economy and Regeneration	1,904	1,904	2,328	424
Inclusive Neighbourhoods	403	403	285	(118)
Resources, Commissioning and Governance	22,612	23,164	30,616	7,452
Sustainable Stockport	20,820	21,180	25,796	4,616
<b>Total Cash Limit</b>	<b>185,311</b>	<b>186,642</b>	<b>207,884</b>	<b>21,242</b>
Pay Inflation	2,939	2,939	2,939	0
Pensions - Superannuation and Auto Enrolment	192	192	192	0
Inflation - Price and National Living Wage	3,753	2,874	2,874	0
Apprenticeship Levy	400	400	400	0
Other Non-Cash Limit	54,798	54,798	62,722	7,924
<b>Total Non-Cash Limit</b>	<b>62,082</b>	<b>61,203</b>	<b>69,127</b>	<b>7,924</b>
<b>Total</b>	<b>247,393</b>	<b>247,845</b>	<b>277,011</b>	<b>29,166</b>
<b>Financed By</b>				
SMBC Council Tax	148,217	148,217	148,217	0
SMBC Adult Social Care Precept	14,501	14,501	14,501	0
Business Rates District Share	76,294	76,294	76,294	0
Business Rates - Tariff	(17,230)	(16,778)	(16,778)	0
Business Rates Section 31 Grants	12,956	12,956	12,956	0
New Homes Bonus	1,390	1,390	1,390	0
Better Care Fund Allocation	6,333	6,333	6,333	0
Social Care Grant	7,015	7,015	7,015	0
Covid19 Grant	0	0	18,759	18,759
Collection Fund Balance Distribution	1,285	1,285	1,285	0
Appropriation from Reserves	216	216	216	0
Appropriation to Reserves	(3,584)	(3,584)	(3,584)	0
	<b>247,393</b>	<b>247,845</b>	<b>266,604</b>	<b>18,759</b>
	<b>0</b>	<b>0</b>	<b>10,407</b>	<b>10,407</b>

- 3.7 It is important to note that the above position does not include the impact of Business Rates Receipt income losses and Council Tax Receipt Income losses totalling £10.158m (see paragraph 3.45 to 3.47) as these are accounted for in the Collection Fund and will not impact on the General Fund until next financial year, 2021/22. However, as part of COVID19 support, Government has allowed Collection Fund deficits to be spread over 3 financial years to smooth the impact on the General Fund rather than incurring the full deficit in 2021/22.
- 3.8 The position includes £18.759m of Government support funding which has not been ringfenced for a specific purpose (ringfenced grants such as the Infection Control Grant and the Track and Trace Grant have been allocated to the relevant Portfolio Cash Limit Budget) and is therefore included within the Council's overall resource base. This includes the confirmed third tranche allocation of £2.431m. The position does not include an assumption of the amount of funding the Council will receive to support the impact of sales, fee and charges income losses. Whilst the Government recently released a technical note providing some clarity on how this element of

support funding will be calculated and importantly what services could be considered, further detail is needed before including in the forecast. This detail is expected to be released on 24 July as part of the next Delta return.

- 3.9 In addition, the forecast position does not include any potential use of reserves to address/reduce the deficit. This is being considered as part of the Reserves Policy annual review, see paragraph 3.39 to 3.42.
- 3.10 The forecasts in this report build on the forecasts included in the Delta returns to Government and look to refine expenditure pressures and income losses due to COVID19 and incorporating surpluses and deficits identified from business as usual activities.

### **Cash Limit**

- 3.11 Cash Limit Portfolios are projecting an overall deficit of £21.242m. The Resources, Commissioning and Governance Portfolio is forecasting the largest deficit of £7.452m followed by Adult Care and Health (£7.097m) and Sustainable Stockport (£4.616m). Further deficits are forecast within Children, Family Services and Education (£0.915m), Citizen Focus and Engagement (£0.856m) and Economy and Regeneration (£0.424m). Inclusive Neighbourhoods Portfolio is forecasting a surplus of (£0.118m).

### **Adult Care and Health Portfolio**

- 3.12 The Portfolio is reporting a £7.097m deficit against a budget of £94.173m in 2020/21, which is 7.5% of the net Cash Limit budget.

### **Adult Social Care**

- 3.13 The service is reporting a forecasted £7.097m overspend in 2020/21 based on Quarter 1 information, against a budget of £83.229m. This equates to an 8.5% variance compared to the net Cash Limit budget.
- 3.14 The combined forecasted additional costs, reduced income, delay in achieving savings is £8.7m as set out below. Alongside this the Council is receiving £3.1m of Infection Control grant funding, with associated grant conditions, which includes passporting 75% of the grant funding direct to care homes, in two tranches. The first tranche of payments was made on the 31 May. The full allocation is assumed to be fully spent.
- 3.15 Additional forecasted costs due to COVID19 include:
- Care management costs within the local care sector aligned to predominantly Care Homes, Homecare, Day Care, and Supported Living provision. This relates to additional staffing costs, PPE costs, providing financial support to providers up to planned levels of care where services have been affected by COVID19. This also includes an offer of occupancy protection up to 90% for care home providers;
  - Contribution from the remaining 25% discretionary element of the Infection Control Grant, to support additional costs within Supported Living, Day Care, Homecare which align to the wider Infection Control measures; and
  - Additional staffing costs predominantly within Internal Learning Disability services, to continue to provide services to clients while some employees are shielding / unable to work due to COVID19.

3.16 Reduced levels of income / unachieved savings forecasted due to:

- Temporary reduced non-residential care income as some clients are temporarily unable to access / receive services;
- Combination of a delay in implementing non-residential care fees and charges policy changes for 2020/21 and inflationary uplifts for residential and nursing care services. Both were aligned to 2020/21 budget proposals; and
- Decisions to delay the implementation of changes to the Stockport Local Assistance Scheme saving and anticipated temporary increase in demand for support to residents.

3.17 Offsetting a proportion of this cost is a forecasted £0.4m reclaim to Stockport CCG aligned to the Hospital Discharge Programme funded from NHS COVID19 funding, where ASC has directly incurred additional costs aligned to hospital discharge / prevented admission. The Quarter 1 financial forecast includes a greater level of financial risk and uncertainty as extrapolation is based on two months of staffing, care management and non-pay data and information. In 2020/21 this has been significantly compounded by:

- Financial impact of COVID19 on the ASC budget;
- Transition to a new case management system (Liquid Logic and ContrOcc); and
- A part implemented transition to a new operating model and service delivery structure.

3.18 The forecast position should be seen in the context of significant financial risk and uncertainty. The position will be closely monitored during the coming months as a clearer position develops. The forecasted deficit position would have been higher but for a number of financial impacts that have reduced the deficit by £1.6m.

3.19 The initial forecast included the impacts below which have reduced the deficit position:

- Day Care centres have been either partially or fully closed, claims of lost income have been aligned to COVID19 additional costs;
- Neighbourhood Residential and Nursing Care services, as during the COVID19 period care placements out of hospital or which prevented hospital admission, aligned to ASC, have temporarily been commissioned directly by Stockport CCG and reclaimed from NHS COVID19 funding;
- Neighbourhood non-residential services, predominantly homecare, where actual service delivered is below usual levels of care, due to clients shielding / unable to accept or access their care;
- A combination of minor uncommitted balances within the Better Care Fund allocation and anticipated available budget aligned to recharges to Health partners; and
- Anticipated underspend within Mental Health demand led services, based on current activity.

**Public Health**

3.20 The Public Health service is forecasting a breakeven position at Quarter 1.

- 3.21 At Quarter 1, there is a forecast surplus of £0.051m, which would be transferred to the Public Health reserve to achieve a balanced position. However, further national guidance is awaited on what the additional grant allocation may be expected to fund, and this may lead to a change in the current position. Additional staffing costs of £0.030m due to COVID19 are reflected within this position. The additional forecast staffing costs relate to overtime by Public Health staff to assist with swabbing and remote testing.
- 3.22 In Quarter 1, a Test & Trace grant allocation of £1.474m, received from the Department of Health and Social Care, was allocated to Public Health for their continuing work relating to COVID19. From this allocation there will be a contribution to Greater Manchester (GM) to cover costs associated with the GM Integrated Hub of £0.113m. Other anticipated commitments against this allocation will include new staff, for example a Test & Trace Manager, increased staffing costs for existing staff, data support, communications and engagement activity.

### **Children, Family Services and Education**

- 3.23 The Portfolio is reporting a £0.915m deficit against a budget of £40.977m in 2020/21, which is 2.2% of the net Cash Limit budget.
- 3.24 The Children, Family Services areas are forecasting a deficit of £0.818m as at Quarter 1. The deficit is due to additional expenditure incurred due to COVID19 and relates mainly to Looked After Children (LAC) spend; £0.624m EP Residential spend including 4 new placements (2 of which are respite conversions) and 4 existing placements with increased costs for additional support. New placements range from £7,389 per week and £1,400 per week, increased costs range from £480 per week to £1,242 per week. Other deficits include increased costs in Internal Foster care of £0.100m due to the decision to pay additional allowances to foster carers during the period of the school closures. There are other COVID19 related staffing costs of £0.047m in total. There are also income losses of £0.033m relating to the Safeguarding service and the inability to deliver safeguarding in schools training. The forecast without COVID19 related costs would have been close to breakeven and similar to 2019/20.
- 3.25 The Education service areas are forecasting a deficit of £0.201m at Quarter 1 which is largely due to the SEN Transport costs. The continuation of demand for specialist SEN settings places further burden on the SEN transport budget especially when placed in external independent provision (additional 13 this term). There is an emerging issue relating to SEN Transport following Government COVID19 guidance on the need to keep pupils in their class bubbles when traveling to and from school. Officers are reviewing the guidance and working with schools/settings to understand the implications of this on the SEN Transport service from the start of the academic year in September. Whilst the financial impact of this is emerging and could change over the summer, an increase in the number of required journeys and changes to transport will result in significant cost increases. Finance Officers will continue to monitor the financial impact of any required changes to comply with the Government guidance and provide updates as part of the Council's budget monitoring and reporting during the year.
- 3.26 There is a surplus forecast of £0.104m within the 14-19 Service mainly relating to apprenticeships.



### **Citizen Focus and Engagement**

- 3.27 The Portfolio is reporting a £0.856m deficit against a budget of £4.841m in 2020/21, which is 17.7% of the net Cash Limit budget. This includes net COVID19 impact costs of £0.900m.
- 3.28 The COVID19 cost is due to the significant reduction in net income from the events team and also the Museums and Arts service. This is net of avoided running costs, but also includes paying casual staff at average salary as per the agreed policy.

### **Economy & Regeneration**

- 3.29 The Portfolio is reporting a £0.424m deficit against a budget of £1.904m in 2020/21, which is 22.25% of the net Cash Limit budget. This estimated deficit relates to COVID19 associated costs and lost income, most significantly in the areas of Planning and Building Control.

### **Inclusive Neighbourhoods**

- 3.30 The Portfolio is reporting a £0.118m surplus against a budget of £0.403m in 2020/21, which is 29.3% of the net Cash Limit budget. The surplus is expected in the Neighbourhood Inclusion team, reflecting the likely levels of activities and events to be run in the financial year.

### **Resources, Commissioning and Governance**

- 3.31 The Portfolio is reporting a £7.452m deficit against a budget of £23.164m in 2020/21, which is 32.2% of the net Cash Limit budget. This includes net COVID19 adverse impact of £7.178m most of which is £6.172m of expected income losses (from the Council's strategic commercial investments) in the Investment and Development Account. Other COVID19 costs include IT network and kit costs incurred setting up office based staff as homeworkers to assist service continuity; and additional cleaning costs, particularly for an enhanced cleaning regime in the operational estate properties.
- 3.32 Legal services and the Single Property Budget are both potential areas of recurrent challenge and deficit; the former due to continued high demand levels on the service and the latter due to more limited opportunities to meet savings targets, together with its function as the corporate landlord taking on responsibility for additional properties, and additional challenges due to COVID19.

### **Sustainable Stockport**

- 3.33 The Portfolio is reporting a £4.616m deficit against a budget of £21.180m in 2020/21, which is 21.8% of the net Cash Limit budget. This estimated deficit relates to COVID19 associated costs and lost income, most significantly in the areas of Leisure and Parking.

### **Non Cash Limit**

- 3.34 The overall Non-Cash Limit forecast outturn is a deficit of £7.924m. The forecast deficit is due to COVID19 and mainly consists of:
- An assumption that no dividend will be received from the Manchester Airport Group that was budgeted at £6.408m;
  - Additional insurance costs of £1.000m are also assumed though this will need reassessing later in the year – insurance premium renewals occur in the autumn and actuarial advice is not due until early 2021; and

- Forecast additional costs relating to Highways due to works being delayed.

3.35 The deficit includes an offset forecast surplus within debt charges mainly due to reduced borrowing requirements resulting from the rephasing of the Capital Programme (£1.217m).

#### **Dedicated Schools Grant (DSG)**

3.36 The Quarter 1 forecast is a £0.498m deficit on the total DSG budget. This is all contained within the high needs block and relates to increase costs relating to mainstream pupils with high needs funding attached, increased placements in high costs external placements (13 since budget setting) and technical funding adjustment relating to import/export of post 16 students updated using February 2020 data.

3.37 The above is in addition to the £1.3m deficit brought forward from 2019/20. The DSG Review Group proposals/recommendations have recently been approved for consultation, which will be undertaken in summer/autumn 2020 ahead of any implementation from 2021 and will inform the 2021/22 budget setting process. The phased plan of cultural and operational change emanating from the review findings will also address the cumulative deficit position over the coming years.

3.38 DfE announcement is expected in late July 2020 in relation to the split (Schools/SEND) of the DSG additional £13bn investment over the next two years of the planned three year investment program; which commenced in 2020/21.

#### **2020/21 Reserves Policy**

3.39 The initial annual review of the Council's Reserve Policy has been completed. The review concluded that the level of resources held in earmarked reserves were sufficient to provide the Council with financial resilience and robustness to meet the financial challenge over the medium term period whilst delivering on its growth and reform ambitions prior to the COVID19 pandemic. This included increasing the Council's General Fund Balance to £10.2m in line with the Section 151 Officers 2020/21 Budget risk assessment.

3.40 Following the pandemic however, the annual review has also had to consider the financial impact of COVID19 on the Council and how resources held in earmarked reserves could be used (if needed and in the absence of further Government support funding) to support the Council's financial response. Whilst the initial review has provided the assurance that resources are sufficient in totality as detailed above, it has also recognised the severe impact of using these one-off resources to support the financial response to the pandemic would have on the Council's financial resilience and robustness going forward. In addition, the resources held in reserves are earmarked to support the funding of specific investments and projects which align to the Council's longer term ambitions and priorities. Redirecting these resources would impact significantly on the achievement of these.

3.41 Further work will now be completed by Finance Officers to:

- Refine the forecast COVID19 financial impact both in 2020/21 and over the medium term period, the next Delta return is due to be released on 24 July for completion by 31 July;

- Understand the detail of Government support funding particularly in relation to the third tranche of funding and the detail on the support for sales, fees and charges income losses; and
- Understand the wider implications of having to use resources held in earmarked reserves if needed, to supplement the Government support in 2020/21 and over the medium term period.

3.42 This work will be completed over the summer to ensure the outcome of the annual review results in a fully informed Reserves Policy, that has been scrutinised. For this reason, the 2020/21 Reserve Policy will be presented to the Corporate Resources, Management and Governance Scrutiny Committee in September before being presented to Cabinet for approval in October. Doing this will also ensure the 2020/21 Reserves Policy is aligned to the MTFP Summer Review (mid-year update) which will be reported to Cabinet for approval in October.

### **Housing Revenue Account**

3.43 The HRA is forecasting a surplus of £0.290m as set out at Appendix 2. There are some gains noted within the forecast including lower interest and depreciation costs, along with higher rental income being forecasted due to better than budgeted voids and lower Right to Buys (RTBs) expected.

3.44 The favourable variances are offsetting some of the adverse areas of expenditure being realised as a result of COVID19, which is an increase to bad debts due to higher arrears being forecasted and lower income from Renewable Heat Incentive (RHI) due to some sites temporarily closing. There was a higher than budgeted brought forward balance from 2019/20 which is being ringfenced for Project Phoenix, Property MOTs and to carry forward to 2021/22 to potentially cover a lower CPI rate than budgeted as a result of COVID19. The distribution of these amounts will be determined in future months following further modelling.

### **Collection Fund Position Quarter 1 2020/21**

3.45 The Collection Fund is reporting a deficit of £11.503m made up of a £8.762m deficit on Council Tax and £2.741m deficit on Business Rates. The Council's share of the deficit is £10.158m made up of £7.444m Council Tax deficit and £2.714m Business Rates deficit. As part of COVID19 support, Government has allowed Collection Fund deficits to be spread over 3 financial years to smooth the impact on the General Fund rather than incurring the full deficit in 2021/22.

	Council	Business	Total
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	<b>Tax</b> <b>£000</b>	<b>Rates</b> <b>£000</b>	<b>£000</b>
Collection Fund Income	(182,756)	(39,135)	<b>(221,891)</b>
Collection Fund Expenditure*	191,518	80,731	<b>272,249</b>
<b>2020/21 Deficit</b>	<b>8,762</b>	<b>41,596</b>	<b>50,358</b>
Additional Section 31 Grant**	0	(38,855)	<b>(38,855)</b>
<b>2020/21 Deficit – Net of S31 Grant</b>	<b>8,762</b>	<b>2,741</b>	<b>11,503</b>
<b>Allocated to:</b>			
Stockport Metropolitan Borough Council	7,444	2,714	<b>10,158</b>
Mayoral General including Fire Services	400	27	<b>428</b>
Mayoral Police and Crime Commissioner	917		<b>917</b>
	<b>8,762</b>	<b>2,741</b>	<b>11,503</b>

\* includes distribution to the Council and Precepting Authorities during the year

\*\*Compensatory Section 31 grants for the extension of 100% retail reliefs to retail, hospitality and leisure businesses; paid to the Council in 2020/21 to offset the Collection Fund deficit created by the reliefs given to business. The grant will be paid in to the Council's General Fund in 2020/21 and will be held in reserves and released in line with the reimbursement of the Collection Fund deficit over 2021/22 and 2023/24.

3.46 The Council is continuing to monitor the impact of the Business Rates position alongside the other GM Authorities on the 100% Business Rates Retention Pilot in 2020/21. Whilst the Council still expects to receive a benefit from the Pilot in 2020/21, when comparing the outturn position on a 100% retention basis to the outturn position on a 50% retention basis, it is noted that the Council's share of this benefit will need to be used to reimburse the overall Collection Fund deficit in 2021/22 to 2023/24.

3.47 In addition, the Council is working with the other GM Authorities and the GMCA to assess the priorities aligned to the use of retained Business Rates held by the GMCA. This includes consideration of the priorities and commitments aligned to these resources with a view to prioritising these and balancing the beneficial investment to support the GM economy whilst also providing support to Authorities' MTFPs and financial response to the COVID19 pandemic through the potential return and/or re-prioritisation of these resources

#### **4. CAPITAL PROGRAMME**

4.1 The Council's 2020/21 three year capital programme is £341.549m, with planned expenditure of £116.005m in 2020/21.

## 2020/21 Three Year Capital Programme

4.2

Portfolio	2020/21 Programme £000	2021/22 Programme £000	2022/23 Programme £000	Programme 2023/24 Onwards £000
Adult Care and Health	199	300	0	0
Children, Family Services and Education	24	0	0	0
Economy and Regeneration	45,226	49,354	9,840	13,379
Resources, Commissioning and Governance	23,634	45,234	3,023	9,800
Sustainable Stockport	46,922	74,387	43,406	29,301
<b>TOTAL</b>	<b>116,005</b>	<b>169,275</b>	<b>56,269</b>	<b>52,480</b>

low provides the position of the 2020/21 Capital Programme as at Quarter 1. Details of the changes made to the Capital Programme during Quarter 1 are set out at paragraphs 4.3 and 4.4.

## 2020/21 Quarter 1 Capital Programme

Portfolio	2020/21 Programme £000	Expenditure Quarter 1 £000
Adult Care and Health	199	5
Children, Family Services and Education	24	0
Economy and Regeneration	45,226	8,776
Resources, Commissioning and Governance	23,634	1,113
Sustainable Stockport	46,922	111
<b>TOTAL</b>	<b>116,005</b>	<b>10,005</b>

4.3 COVID19 is having an impact on the progress of capital schemes. There has been a net decrease in the three-year Capital Programme of £28.038m during Quarter 1 and this is largely made up of re-phasing of long-term schemes to later years beyond the current capital programme (£40.757m). This has been offset by a number of new funding allocations (£12.719m). The most significant new funding allocations (in 2020/21 unless otherwise indicated) include the following:

- £0.500m additional grant funding for the Mayoral Walking & Cycling Challenge Fund (Economy and Regeneration);
- £3.938m directly funded borrowing for Weir Mill Development (Economy and Regeneration);
- £1.200m external contributions towards Section 278 and Section 106 schemes in 2022/23 (Economy and Regeneration);
- £4.400m of grant funding for School Capital Schemes (Resource, Commissioning and Governance);
- £2.330m decrease in unsupported borrowing for Asset Management Plan schemes (Resources, Commissioning and Governance);
- £1.526m reduction in funding towards HRA schemes (£1.008m in General Schemes and £0.518m in New Build Schemes) (Sustainable Stockport); and,

- £2.543m in Disabled Facilities Grant funding (Sustainable Stockport).

4.4 Capital Schemes are regularly reviewed, and the programme is adjusted accordingly. There has been significant re-phasing of schemes during this first quarter due to the impact of COVID19. A net total of £73.803m of funding has been re-phased from 2020/21 to 2021/22 and later years. The more significant schemes being re-phased from 2020/21 as well as those relating to later years, include the following (2020/21 to 2021/22 unless otherwise indicated):

- £3.000m of directly funded borrowing for Highways Investment Programme has been re-phased to beyond the current three-year Capital Programme (Economy and Regeneration);
- £10.379m of grant funding for the SEMMMS A6 to Manchester Airport Relief Road has been re-phased from 2022/23 to beyond the current three-year Capital Programme (Economy and Regeneration);
- £1.943m directly funded borrowing for Markets and Underbanks (Economy and Regeneration);
- £1.628m of directly funded borrowing for Merseyway Development (Economy and Regeneration);
- £39.445m of grant funding and unsupported borrowing has been re-phased for School Capital Schemes, £37.268m to 2021/22 and £2.177m to 2022/23 (Resources, Commissioning and Governance);
- £3.896m of unsupported borrowing for Asset Management Plan schemes (Resources, Commissioning and Governance);
- £2.970m in capital receipts for the Re-provision of the Dialstone Facility (Resources, Commissioning and Governance);
- £8.481m from 2020/21 and £18.897m from 2021/22 of directly funded borrowing for the Borough Care Scheme has been re-phased to beyond the current three-year Capital Programme (Resources, Commissioning and Governance);
- £9.281m of directly funded borrowing for HRA New Build Schemes (Sustainable Stockport);
- £4.769m in loans to Stockport Homes for the Affordable Homes schemes (Sustainable Stockport);
- £4.137m Disabled Facilities Grant (Sustainable Stockport); and
- £1.290m of directly funded borrowing for the Street Lighting Investment Programme has been re-phased, £0.480 to 2021/22 and £0.810m to 2022/23 (Sustainable Stockport).

4.5 The changes to the Capital Programme during Quarter 1 are set out by Portfolio in the table below:

Portfolio	Programme as at 31 Mar 2020	Additional /Reduced Programme	Virement/ Re-phasing	Programme as at Quarter 1
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	£000	£000	£000	£000
<b><u>2020/21</u></b>				
Adult Care and Health	499	0	(300)	199
Children, Family Services and Education	24	0	0	24
Economy and Regeneration	48,771	4,820	(8,365)	45,226
Resources, Commissioning and Governance	76,316	2,110	(54,792)	23,634
Sustainable Stockport	31,508	2,980	(10,346)	24,142
<b>Total</b>	<b>157,118</b>	<b>9,910</b>	<b>(73,803)</b>	<b>93,225</b>
<b><u>2021/22</u></b>				
Adult Care and Health	0	0	300	300
Children, Family Services and Education	0	0	0	0
Economy and Regeneration	44,289	(300)	5,365	49,354
Resources, Commissioning and Governance	19,997	0	25,237	45,234
Sustainable Stockport	7,045	1,837	9,536	18,418
<b>Total</b>	<b>71,331</b>	<b>1,537</b>	<b>40,438</b>	<b>113,306</b>
<b><u>2022/23</u></b>				
Adult Care and Health	0	0	0	0
Children, Family Services and Education	0	0	0	0
Economy and Regeneration	18,947	1,272	(10,379)	9,840
Resources, Commissioning and Governance	846	0	2,177	3,023
Sustainable Stockport	4,943	0	810	5,753
<b>Total</b>	<b>24,736</b>	<b>1,272</b>	<b>(7,392)</b>	<b>18,616</b>

- 4.6 The following table sets out the resources available to fund the 2020/21 Capital Programme:

Resources	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 onwards £000
Capital Grants	37,336	54,128	5,355	17,184
Directly Funded Borrowing	42,731	48,393	22,494	9,800
Unsupported Borrowing	17,405	41,420	8,986	3,120
Capital Receipts	466	4,288	4,863	2,733
External Contributions	1,174	328	23	0
Commuted Sums	1,925	1,350	1,200	0
Revenue Contributions (RCCO)	2,435	6,334	272	6,642
HRA funding from MRR	12,533	13,034	13,076	13,001
<b>TOTAL</b>	<b>116,005</b>	<b>169,275</b>	<b>56,269</b>	<b>52,480</b>

## 5. RECOMMENDATIONS

Cabinet is asked to:

- a) Approve the virements to the Revenue Budget;
- b) Note the Cash Limit and Non-Cash Limit forecast positions for 2020/21 as at Quarter 1;
- c) Note the HRA, DSG and Collection Fund forecast positions for 2020/21 as at Quarter 1;
- d) Note the forecast position for the 2020/21 Capital Programme; and
- e) Note the changes to the Capital Programme and re-phasing of schemes during Quarter 1.

## BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Jonathan Davies on 0161 218 1025 or by email at [jonathan.davies@stockport.gov.uk](mailto:jonathan.davies@stockport.gov.uk)